

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Coloma Charter Township	County Berrien
Audit Date March 31, 2004	Opinion Date August 5, 2004	Date Accountant Report Submitted To State: September 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City Saint Joseph	State MI	ZIP 49085-2180
Accountant Signature <i>Plante & Moran, PLLC</i>			

Charter Township of Coloma, Michigan Berrien County

**Financial Report
with Additional Information**

**Year Ended
March 31, 2004**

Charter Township of Coloma, Michigan

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Independent Auditors' Report

Members of the Township Board
Charter Township of Coloma, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Coloma, Michigan as of March 31, 2004 and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the Charter Township of Coloma, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Coloma, Michigan as of March 31, 2004 and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

August 5, 2004

Charter Township of Coloma, Michigan

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Assets			
Cash and cash equivalents (Note 2)	\$ 1,299,050	\$ 690,158	\$ 632
Investments (Note 2)	50,000	210,074	-
Receivables:			
Taxes	8,542	45,162	-
Customers	-	-	-
Special assessments	-	19,503	-
Other	2,605	-	-
Due from other governmental units	5,643	-	-
Due from other funds (Note 3)	2,449	-	-
Other assets	-	-	-
Capital assets (Note 4)	-	-	-
Investment in joint venture	-	-	-
Amount available in debt service fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets	\$ 1,368,289	\$ 964,897	\$ 632

**Combined Balance Sheet – All Fund Types and Account Groups
March 31, 2004**

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
				March 31	
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2004	2003
\$ 423,817	\$ 173,653	\$ -	\$ -	\$ 2,587,310	\$ 2,821,540
1,191,934	-	-	-	1,452,008	1,240,790
-	-	-	-	53,704	66,073
71,302	-	-	-	71,302	75,872
188,668	-	-	-	208,171	229,345
-	-	-	-	2,605	2,605
-	-	-	-	5,643	100,534
-	-	-	-	2,449	74,185
39,403	-	-	-	39,403	109,580
4,619,909	-	2,640,734	-	7,260,643	6,758,790
243,812	-	-	-	243,812	243,812
-	-	-	632	632	-
-	-	-	1,142,612	1,142,612	1,099,641
<u>\$ 6,778,845</u>	<u>\$ 173,653</u>	<u>\$ 2,640,734</u>	<u>\$ 1,143,244</u>	<u>\$ 13,070,294</u>	<u>\$ 12,822,767</u>

Charter Township of Coloma, Michigan

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Liabilities and Fund Equity			
Liabilities			
Accounts payable	\$ 16,874	\$ 7,755	\$ -
Due to other governmental units	-	75,208	-
Due to other funds (Note 3)	-	-	-
Accrued and other liabilities	61,678	20,290	-
Deferred revenue (Note 5)	-	18,690	-
Long-term debt (Note 6)	-	-	-
Total liabilities	78,552	121,943	-
Fund Equity			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings:			
Unreserved	-	-	-
Fund balances:			
Unreserved			
Undesignated	1,289,737	842,954	632
Total fund equity	1,289,737	842,954	632
Total liabilities and fund equity	<u>\$ 1,368,289</u>	<u>\$ 964,897</u>	<u>\$ 632</u>

**Combined Balance Sheet – All Fund Types and Account Groups
(Continued)
March 31, 2004**

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
				March 31	
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2004	2003
\$ 66,727	\$ 9,871	\$ -	\$ -	\$ 101,227	\$ 363,234
71	161,333	-	-	236,612	1,151
-	2,449	-	-	2,449	74,185
9,949	-	-	-	91,917	90,129
53,954	-	-	-	72,644	77,609
1,370,000	-	-	1,143,244	2,513,244	2,469,641
1,500,701	173,653	-	1,143,244	3,018,093	3,075,949
-	-	2,640,734	-	2,640,734	2,542,907
2,808,813	-	-	-	2,808,813	2,808,813
2,469,331	-	-	-	2,469,331	2,058,622
-	-	-	-	2,133,323	2,336,476
5,278,144	-	2,640,734	-	10,052,201	9,746,818
\$ 6,778,845	\$ 173,653	\$ 2,640,734	\$ 1,143,244	\$ 13,070,294	\$ 12,822,767

Charter Township of Coloma, Michigan

Combined Statement of Revenue, Expenditures and Changes in Fund Balances – All Governmental Fund Types Year Ended March 31, 2004

	Governmental Fund Types			Totals (Memorandum Only)	
				Year Ended March 31	
	General	Special Revenue	Debt Service	2004	2003
Revenue					
Property taxes	\$ 144,331	\$ 743,314	\$ -	\$ 887,645	\$ 864,455
Licenses and permits	59,527	3,896	-	63,423	83,991
State sources	426,131	718	-	426,849	459,752
Local sources	-	75,000	-	75,000	-
Landfill tipping fees	73,917	-	-	73,917	73,774
Charges for services	5,025	-	-	5,025	2,025
Fines and forfeitures	-	22,045	-	22,045	22,286
Interest	11,876	6,909	-	18,785	80,714
Other revenue	22,019	8,847	60,000	90,866	14,209
Total revenue	742,826	860,729	60,000	1,663,555	1,601,206
Expenditures					
General government	488,169	-	51,273	539,442	1,664,122
Public safety	144,848	945,295	-	1,090,143	859,924
Public works	37,540	147,923	-	185,463	111,653
Recreation and cultural	2,719	-	-	2,719	62,647
Economic development	39,226	-	-	39,226	36,104
Debt service	-	-	49,095	49,095	-
Total expenditures	712,502	1,093,218	100,368	1,906,088	2,734,450
Excess (Deficiency) of Revenue Over Expenditures	30,324	(232,489)	(40,368)	(242,533)	(1,133,244)
Other Financing Sources (Uses)					
Operating transfers in	-	241,939	41,000	282,939	501,301
Operating transfers out	(282,939)	-	-	(282,939)	(501,301)
Proceeds from issuance of long term debt	-	39,380	-	39,380	1,000,000
Total other financing sources (uses)	(282,939)	281,319	41,000	39,380	1,000,000
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(252,615)	48,830	632	(203,153)	(133,244)
Fund Balances - Beginning of year	1,542,352	794,124	-	2,336,476	2,469,720
Fund Balances - End of year	\$1,289,737	\$ 842,954	\$ 632	\$2,133,323	\$2,336,476

Charter Township of Coloma, Michigan

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Property taxes	\$ 137,850	\$ 144,331	\$ 6,481
Licenses and permits	72,000	59,527	(12,473)
State sources	426,131	426,131	-
Local sources	-	-	-
Landfill tipping fees	80,000	73,917	(6,083)
Charges for services	3,200	5,025	1,825
Fines and forfeitures	-	-	-
Interest	27,325	11,876	(15,449)
Other revenue	3,900	22,019	18,119
Total revenue	750,406	742,826	(7,580)
Expenditures			
General government	509,188	488,169	21,019
Public safety	113,540	144,848	(31,308)
Public works	39,800	37,540	2,260
Recreation and cultural	3,275	2,719	556
Economic development	40,515	39,226	1,289
Total expenditures	706,318	712,502	(6,184)
Excess (Deficiency) of Revenue Over Expenditures	44,088	30,324	(13,764)
Other Financing Sources (Uses)			
Operating transfers in	-	-	-
Operating transfers out	(232,819)	(282,939)	(50,120)
Proceeds from issuance of long-term debt	-	-	-
Total other financing sources (uses)	(232,819)	(282,939)	(50,120)
Excess (Deficiency) of Revenue and Other Financing Sources Over Expenditures and Other Uses	(188,731)	(252,615)	(63,884)
Fund Balances - Beginning of year	1,542,352	1,542,352	-
Fund Balances - End of year	\$ 1,353,621	\$ 1,289,737	\$ (63,884)

See Notes to Financial Statements.

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**Combined Statement Revenue, Expenditures and Changes in
Fund Balances – Budget and Actual – General and
Special Revenue Fund Types
Year Ended March 31, 2004**

Special Revenue Funds		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 744,680	\$ 743,314	\$ (1,366)
4,200	3,896	(304)
-	718	718
75,000	75,000	-
-	-	-
-	-	-
19,700	22,045	2,345
6,800	6,909	109
8,500	8,847	347
858,880	860,729	1,849
-	-	-
975,699	945,295	30,404
155,000	147,923	7,077
-	-	-
-	-	-
1,130,699	1,093,218	37,481
(271,819)	(232,489)	39,330
241,939	241,939	-
-	-	-
39,380	39,380	-
281,319	281,319	-
9,500	48,830	39,330
794,124	794,124	-
\$ 803,624	\$ 842,954	\$ 39,330

Charter Township of Coloma, Michigan

Statement of Revenue, Expenses and Changes in Retained Earnings Proprietary Fund Type – Sewer Fund

	Year Ended March 31	
	2004	2003
Operating Revenue		
Sewage disposal	\$ 346,585	\$ 330,959
Penalty charges	16,649	15,000
Total operating revenue	363,234	345,959
Operating Expenses		
Operation and maintenance	277,530	257,402
Depreciation and amortization	227,038	223,998
Total operating expenses	504,568	481,400
Operating Loss	(141,334)	(135,441)
Nonoperating Revenue (Expenses)		
Interest income	27,498	40,119
Interest expense	(74,748)	(77,388)
State grant	599,293	151,945
Total nonoperating revenue	552,043	114,676
Net Income (Loss)	410,709	(20,765)
Retained Earnings - Beginning of year	2,058,622	2,079,387
Retained Earnings - End of year	<u><u>\$ 2,469,331</u></u>	<u><u>\$ 2,058,622</u></u>

Charter Township of Coloma, Michigan

Statement of Cash Flows Proprietary Fund Type – Sewer Fund Year Ended March 31, 2004

	Totals	
	2004	2003
Cash Flows from Operating Activities		
Operating loss	\$ (141,334)	\$ (135,441)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation and amortization	227,038	223,998
Changes in assets and liabilities:		
Receivables	4,570	(7,585)
Due from other governmental units	5,063	(5,063)
Due from other funds	-	8,335
Other assets	56,813	(6,544)
Accounts payable	9,966	52,914
Due to other governmental units	38	-
Accrued and other liabilities	(7,692)	(31,272)
Deferred revenue	341	5,359
Net cash provided by operating activities	154,803	104,701
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	(74,748)	(177,388)
Purchase of capital assets	(626,543)	(191,453)
Proceeds from capital grants	599,293	151,945
Collection of special assessments	16,200	27,900
Net cash used in capital and related financing activities	(85,798)	(188,996)
Cash Flows from Investing Activities		
Interest received on investments	27,498	40,119
Purchase of investment securities	(209,665)	(17,651)
Net cash provided by (used in) investing activities	(182,167)	22,468
Net Decrease in Cash and Cash Equivalents	(113,162)	(61,827)
Cash and Cash Equivalents - Beginning of year	536,979	598,806
Cash and Cash Equivalents - End of year	\$ 423,817	\$ 536,979

Noncash Investing, Capital and Financing Activities – During the year ended March 31, 2004, there were no noncash investing, capital or financing activities.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Charter Township is governed by an elected 7-member Board of Trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Charter Township of Coloma, Michigan. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

In 1997, The Charter Township created a Brownfield Redevelopment Authority to revitalize selected environmentally distressed areas within the Charter Township limits. This authority had no assets as of March 31, 2004 and no activity for the year then ended.

The Charter Township established a Building Authority during 2001, which is governed by a Board that is appointed by the Board of Trustees. Although it is legally separate from the Charter Township, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the Charter Township's public buildings.

Fund Accounting

The accounts of the Charter Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

Governmental Funds

General Fund - The General Fund contains the records of the ordinary activities of the Charter Township that are not accounted for in another fund. General Fund activities are financed by revenues from general property taxes, state-shared revenues and other sources.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenues or financing activities requiring separate accounting because of legal or regulatory provisions.

Charter Township of Coloma, Michigan

Notes To Financial Statements
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Debt Service Fund - The Debt Service Fund is used to account for the annual payment of principal, interest and expenses in connection with certain long-term debt other than debt payable from the operations of an enterprise fund.

Proprietary Funds

Enterprise Fund – The Enterprise Fund is used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency funds are used to account for assets held by the Charter Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

The accrual basis of accounting is used by the proprietary fund. All governmental funds and agency funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. The taxes are due with the final collection date as of February 28 before they are added to the county tax roll.

- b. Noncurrent receivables, such as special assessments, are recorded at full value and deferred revenue is recorded for the portion not available for use to finance operations as of year-end.
- c. Interest income on special assessments receivable is not accrued until its due date.
- d. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- e. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

- f. Normally, expenditures are not divided between years by the recording of prepaid expenses.
- g. The noncurrent portion of accumulated sick and vacation pay liabilities is reflected in the General Long-Term Debt Account Group.

Fixed Assets and Long-Term Liabilities - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in the governmental funds. Such assets, which are recorded as expenditures at the time of purchase, do not include certain improvements such as roads, bridges, curbs and gutters, streets and sidewalks and lighting systems. No depreciation has been provided on general fixed assets.

All fixed assets are recorded at cost, or if donated, at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-term Debt Account Group are not funds and do not involve the measurement of results of operations.

Fixed assets and long-term liabilities relating to the proprietary fund are accounted for in that fund. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary fund on a straight-line basis. For the year ended March 31, 2004, depreciation totaling \$222,517 has been included in the operating expenses of the Sewer Fund.

Cash Equivalents - For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair value, based on quoted market prices.

Memorandum Only Totals - The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates – The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 – Deposits

The Charter Township's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 2,587,310
Investments	<u>1,452,008</u>
Total	<u>\$ 4,039,318</u>

The above amounts are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 4,039,018
Petty cash or cash on hand	<u>300</u>
Total	<u>\$ 4,039,318</u>

Deposits - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$4,049,511. Of that amount, approximately \$700,000 was covered by federal depository insurance and \$3,350,000 was uninsured and uncollateralized. The Charter Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Charter Township evaluates each financial institution it deposits Charter Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 3 – Interfund Receivables

The following is the interfund receivable at March 31, 2004:

General Fund	
Trust and Agency Funds	\$ <u>2,449</u>

Note 4 – Capital Assets

A summary of changes in general fixed assets follows:

	Balance March 31, 2003	Additions	Retirements	Balance March 31, 2004
Land and improvements	\$ 55,885	\$ 49,380	\$ -	\$ 105,265
Buildings and improvements	1,363,897	6,800	-	1,370,697
Vehicles	471,204	23,948	47,275	447,877
Equipment	614,786	71,856	7,500	679,142
Investment in Cemetery	23,772	5,687	-	29,459
Investment in Fire Board	<u>13,363</u>	<u>-</u>	<u>5,069</u>	<u>8,294</u>
Total	<u>\$ 2,542,907</u>	<u>\$ 157,671</u>	<u>\$ 59,844</u>	<u>\$ 2,640,734</u>

Included in the additions for the current period are the Charter Township's share of capital assets purchased by the Coloma Joint Fire Board and the Joint Cemetery Board.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 4 – Capital Assets (Continued)

A summary of proprietary fund fixed assets at March 31, 2004 follows:

	Sewer Fund	Depreciable Life-Years
Land	\$ 87,414	-
Sewer mains and extensions	8,968,107	40
Buildings and improvements	166,699	25
Equipment	15,767	5-10
Motor vehicles	28,760	5
Total	9,266,747	
Less accumulated depreciation	4,646,838	
Net	<u>\$ 4,619,909</u>	

Note 5 – Deferred Revenue

Deferred revenue consists of the following:

Special Revenue Funds	
Special assessments	\$ 18,690
Enterprise Funds	
Customer billings	53,954
Total deferred revenue	<u>\$ 72,644</u>

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 6 – Long-Term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Charter Township:

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding
General Long-Term Debt:				
Accumulated employee Benefits				\$ 113,271
Land Contract	1	6.00%	2009	38,973
General obligation bond	1	4.75%	2042	991,000
Total general long-term debt				1,143,244
Enterprise Funds:				
General obligation sanitary sewage disposal bonds	1	5.00%-5.70%	2019	<u>1,370,000</u>
Total long-term debt				<u>\$ 2,513,244</u>

The accumulated employee benefits represent the estimated liability to be paid governmental fund type employees under the Charter Township's sick and vacation pay policy, net of the portion estimated to be paid currently (which has been recorded as a liability in the applicable governmental fund). Under the Charter Township's policy, employees earn sick and vacation time based on time of service with the Charter Township.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Charter Township for the year ended March 31, 2004:

Balance at April 1, 2003	\$ 2,469,641
Increase in obligation for employee benefits	13,630
New debt issued	39,380
Debt retired	<u>(9,407)</u>
Balance at March 31, 2004	<u>\$ 2,513,244</u>

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 6 – Long-Term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2004 (excluding employee benefits) including both principal and interest, are as follows:

2005	\$	187,801
2006		184,863
2007		180,874
2008		179,786
2009		202,081
2010 and after		<u>3,424,597</u>
Total	\$	<u><u>4,360,002</u></u>

Total interest incurred by the Charter Township for the year ended March 31, 2004 was approximately \$110,000.

Note 7 – Risk Management

The Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The Charter Township has purchased private insurance for claims relating to workers' compensation and all medical claims, and participates in the Michigan Townships Participating Plan for all other claims.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 8 – Budget Information

The budget is prepared by the Charter Township's Supervisor and adopted by the Charter Township Board; subsequent amendments are approved by the Charter Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2004 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The budget statement comparing actual to budgeted revenues and expenditures is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted is a violation of Michigan law. A comparison of actual results of operations to the General Fund and Special Revenue Funds budgets as adopted by the Charter Township Board is included in the additional information. This comparison includes expenditure budget overruns.

Significant expenditure budget overruns were as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Public Safety		
Inspection Department	\$ 87,030	\$ 114,247
Operating Transfers Out	232,819	282,939

Note 9 – Joint Ventures

The Township, along with the City of Coloma, is a member of the Coloma Joint Fire Board. On dissolution of the Fire Board, the net assets will be shared on a pro-rata basis as follows: 60 percent to the Charter Township of Coloma and 40 percent to City of Coloma.

The Fire Board is governed by an administrative board of six members consisting of three members each from both the City of Coloma and the Charter Township of Coloma.

The Charter Township's share of fixed assets purchased has been recorded in the General Fixed Asset Account Groups as they occur.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 9 – Joint Ventures (Continued)

The Charter Township's remaining net investment is also reported in the General Fixed Asset Account Group. The Charter Township's equity interest in the Fire Board is \$8,294 at March 31, 2004. Complete financial statements for the Fire Board can be obtained from the City of Coloma Mayor's office.

The Charter Township is a participant with the City of Coloma in a joint venture to provide for the administration of the cemetery and its operations. On dissolution of the Board, the net assets will be shared on a pro-rata basis as follows: 60 percent to the Charter Township of Coloma and 40 percent to the City of Coloma.

The Coloma Charter Township & City Cemetery (Cemetery Board) is governed by an administrative board of five members consisting of three members from the Charter Township of Coloma and two from the City of Coloma.

The Charter Township's share of fixed assets purchased has been recorded in the General Fixed Asset Account Group as they occur.

The Charter Township's remaining net investment is also reported in the General Fixed Asset Account Group. The Charter Township's equity interest in the Cemetery Board is \$29,459 at March 31, 2004. Complete financial statements for the Cemetery Board can be obtained from the City of Coloma Treasurer's office.

The Township is a participant with the City of Coloma, City of Watervliet, and Township of Watervliet in a joint venture to provide sanitary sewage treatment and collection facilities for the residents of these communities. The Paw Paw Lake Regional Joint Sewage Disposal Board was created for that purpose. On dissolution of the Board, the net assets of the Joint Sewage Plant Disposal Board will be shared equally with the Cities of Coloma and Watervliet and the Township of Watervliet.

The Paw Paw Lake Regional Joint Sewage Disposal Board is governed by a board of eight members consisting of two members from each of the participating municipalities.

The Township's net investment and its share of the operating results are reported in the Township's Sewer Fund (an Enterprise Fund). The Township's equity interest in the Board was \$243,812 at March 31, 2004 (the Board's year-end). Complete financial statements for the Paw Paw Lake Regional Joint Sewage Disposal Board can be obtained from the Charter Township of Coloma Treasurer's office.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 10 – Defined Contribution Plan

The Charter Township maintains a simplified employee pension plan, which is a defined contribution pension plan. The employer contributions are made directly to an IRA set up by the employee with a qualified financial institution. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment income. As established by the Township Board, the Charter Township will match employee contributions up to 6 percent of the employee's base pay. In accordance with these requirements, the Charter Township contributed approximately \$23,000 for the year ended March 31, 2004.

The Charter Township police officers will begin participating in the Michigan Municipal Employees' Retirement System (MMERS) as of April 1, 2004. Contributions to the plan will begin in fiscal 2005.

Note 11 – Construction Code Fees

The Charter Township oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Charter Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Deficit - April 1, 2003	\$ (1,165)
Revenue	59,527
Related expenditures:	
Direct costs	<u>114,247</u>
Deficit - March 31, 2004	<u><u>\$ (55,885)</u></u>

Note 12 - Upcoming Reporting Change

For the year beginning April 1, 2004, the Charter Township will adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro-forma data that would show the effect of this change.

Charter Township of Coloma, Michigan

Notes To Financial Statements March 31, 2004

Note 13 – Equity Interest in Paw Paw Lake Regional Joint Sewage Disposal Board

The Paw Paw Lake Regional Joint Sewage Disposal Board had previously been excluded from the financial statements for the Charter Township of Coloma.

As a result of the above, retained earnings have been adjusted as follows:

	<u>Enterprise Fund</u>
Retained earnings - April 1, 2002, as previously reported	\$ 1,835,575
Investment in Joint Sewer Board at April 1, 2002	<u>243,812</u>
Retained earnings - April 1, 2002, as adjusted	<u><u>\$ 2,079,387</u></u>

Additional Information



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Members of the Township Board
Charter Township of Coloma, Michigan

We have audited the general purpose financial statements of the Charter Township of Coloma, Michigan for the year ended March 31, 2004. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Charter Township of Coloma, Michigan. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Plante & Moran, PLLC

August 5, 2004

Charter Township of Coloma, Michigan

General Fund Schedule of Revenue – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Property Taxes				
Real and personal property taxes	\$ 96,750	\$ 102,099	\$ 5,349	\$ 97,556
Mobile home taxes	1,100	1,214	114	1,088
Property tax administration fees	40,000	41,018	1,018	41,496
Total property taxes	137,850	144,331	6,481	140,140
Licenses and Permits				
Building	46,500	41,242	(5,258)	50,777
Electrical, mechanical and plumbing	23,500	18,285	(5,215)	25,469
Other	2,000	-	(2,000)	7,730
Total licenses and permits	72,000	59,527	(12,473)	83,976
State Sources	426,131	426,131	-	458,674
Landfill Tipping Fees	80,000	73,917	(6,083)	73,774
Charges for Services	3,200	5,025	1,825	2,025
Interest and Rents	27,325	11,876	(15,449)	21,112
Insurance Proceeds	-	-	-	49,205
Other Revenue	3,900	22,019	18,119	7,238
Total revenue	<u>\$ 750,406</u>	<u>\$ 742,826</u>	<u>\$ (7,580)</u>	<u>\$ 836,144</u>

Charter Township of Coloma, Michigan

General Fund Schedule of Expenditures – Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
General Government				
Township board	\$ 79,500	\$ 80,854	\$ (1,354)	\$ 80,501
Supervisor	14,576	12,355	2,221	6,236
Tax Administration	55,500	48,444	7,056	49,722
Clerk	88,000	86,376	1,624	86,368
Treasurer	14,400	14,680	(280)	12,722
Elections	5,150	1,373	3,777	10,124
Cemetery	46,737	47,251	(514)	47,482
Building and grounds	<u>205,325</u>	<u>196,836</u>	<u>8,489</u>	<u>34,666</u>
Total general government	509,188	488,169	21,019	327,821
Public Safety				
Inspection department	87,030	114,247	(27,217)	74,988
Planning commission	<u>26,510</u>	<u>30,601</u>	<u>(4,091)</u>	<u>24,614</u>
Total public safety	113,540	144,848	(31,308)	99,602
Public Works	39,800	37,540	2,260	62,700
Recreation and Cultural				
Library	800	769	31	59,672
Community relations	<u>2,475</u>	<u>1,950</u>	<u>525</u>	<u>2,975</u>
Total recreation and cultural	3,275	2,719	556	62,647
Economic Development	<u>40,515</u>	<u>39,226</u>	<u>1,289</u>	<u>36,104</u>
Total	<u>\$ 706,318</u>	<u>\$ 712,502</u>	<u>\$ (6,184)</u>	<u>\$ 588,874</u>

Charter Township of Coloma, Michigan

Special Revenue Funds Combining Balance Sheet March 31, 2004

			Totals	
	Public Safety	Road	2004	2003
Assets				
Cash	\$ 318,425	\$ 371,733	\$ 690,158	\$ 596,616
Investments	110,074	100,000	210,074	208,521
Receivables:				
Taxes	35,834	9,328	45,162	55,419
Special assessment	-	19,503	19,503	24,477
Prepaid expenses	-	-	-	8,843
Due from other governmental units	-	-	-	182
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 464,333</u>	<u>\$ 500,564</u>	<u>\$ 964,897</u>	<u>\$ 894,058</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 7,755	\$ -	\$ 7,755	\$ 10,136
Due to other funds	-	-	-	33,715
Due to other governmental units	-	75,208	75,208	-
Accrued liabilities	20,290	-	20,290	32,087
Deferred revenue	-	18,690	18,690	23,996
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	28,045	93,898	121,943	99,934
Fund Balances	<u>436,288</u>	<u>406,666</u>	<u>842,954</u>	<u>794,124</u>
Total liabilities and fund balances	<u>\$ 464,333</u>	<u>\$ 500,564</u>	<u>\$ 964,897</u>	<u>\$ 894,058</u>

Charter Township of Coloma, Michigan

Special Revenue Funds Combining Statement of Revenue, Expenditures and Changes in Fund Balances Year Ended March 31, 2004

	Public		Totals	
	Safety	Road	2004	2003
Revenue				
Property taxes	\$ 588,491	\$ 154,823	\$ 743,314	\$ 724,315
Licenses and permits	3,896	-	3,896	15
State sources	718	-	718	1,078
Local sources	75,000	-	75,000	-
Fines and forfeits	22,045	-	22,045	22,286
Interest and rents	2,842	4,067	6,909	10,397
Other revenue	3,821	5,026	8,847	6,971
Total revenue	696,813	163,916	860,729	765,062
Expenditures				
Public safety	945,295	-	945,295	760,322
Public works	-	147,923	147,923	48,953
Total expenditures	945,295	147,923	1,093,218	809,275
Excess (Deficiency) of Revenue Over Expenditures	(248,482)	15,993	(232,489)	(44,213)
Other Financing Sources				
Operating transfers in	241,939	-	241,939	165,000
Proceeds from issuance of long- term debt	39,380	-	39,380	-
Total other financing sources	281,319	-	281,319	165,000
Excess of Revenue and Other Financing Sources Over Expenditures	32,837	15,993	48,830	120,787
Fund Balance - Beginning of year	403,451	390,673	794,124	673,337
Fund Balance - End of year	<u>\$ 436,288</u>	<u>\$ 406,666</u>	<u>\$ 842,954</u>	<u>\$ 794,124</u>

Charter Township of Coloma, Michigan

Public Safety Fund Schedule of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual Year Ended March 31, 2004

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenue				
Property taxes	\$ 589,680	\$ 588,491	\$ (1,189)	\$ 573,435
Licenses and permits	4,200	3,896	(304)	15
State sources	-	718	718	1,078
Local sources	75,000	75,000	-	-
Fines and forfeits	19,700	22,045	2,345	22,286
Interest and rents	1,300	2,842	1,542	4,120
Other revenue	4,500	3,821	(679)	1,769
Total revenue	694,380	696,813	2,433	602,703
Expenditures				
Police	780,699	755,845	24,854	616,298
Fire	173,500	167,957	5,543	124,317
Ambulance	21,500	21,493	7	19,707
Total expenditures	975,699	945,295	30,404	760,322
Excess (Deficiency) of Revenue Over Expenditures	(281,319)	(248,482)	32,837	(157,619)
Other Financing Sources				
Operating transfers in	241,939	241,939	-	165,000
Proceeds from issuance of long-term debt	39,380	39,380	-	-
Total other financing sources	281,319	281,319	-	165,000
Excess of Revenue and Other Financing Sources Over Expenditures	-	32,837	32,837	7,381
Fund Balance - Beginning of year	403,451	403,451	-	396,070
Fund Balance - End of year	\$ 403,451	\$ 436,288	\$ 32,837	\$ 403,451

Charter Township of Coloma, Michigan

Road Fund

Schedule of Revenue, Expenditures and Changes in Fund Balance- Budget and Actual Year Ended March 31, 2004

	2004	2004	Variance	2003
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenue				
Property taxes	\$ 155,000	\$ 154,823	\$ (177)	\$ 150,880
Interest and rents	5,500	4,067	(1,433)	6,277
Other revenue	<u>4,000</u>	<u>5,026</u>	<u>1,026</u>	<u>5,202</u>
Total revenue	164,500	163,916	(584)	162,359
Expenditures				
Public works	<u>155,000</u>	<u>147,923</u>	<u>7,077</u>	<u>48,953</u>
Excess (Deficiency) of Revenue Over Expenditures	9,500	15,993	6,493	113,406
Fund Balance - Beginning of year	<u>390,673</u>	<u>390,673</u>	<u>-</u>	<u>277,267</u>
Fund Balance - End of year	<u>\$ 400,173</u>	<u>\$ 406,666</u>	<u>\$ 6,493</u>	<u>\$ 390,673</u>

Charter Township of Coloma, Michigan

Trust and Agency Funds Combining Balance Sheet March 31, 2004

			Totals	
	Tax Fund	Trust and Agency	2004	2003
Assets				
Cash	\$ 167,583	\$ 6,070	\$ 173,653	\$ -
Due from other governmental units	-	-	-	3,320
Total assets	<u>\$ 167,583</u>	<u>\$ 6,070</u>	<u>\$ 173,653</u>	<u>\$ 3,320</u>
Liabilities				
Accounts Payable	\$ 4,071	\$ 5,800	\$ 9,871	\$ -
Due to other governmental units	161,063	270	161,333	-
Due to other funds	2,449	-	2,449	3,320
Total liabilities	<u>\$ 167,583</u>	<u>\$ 6,070</u>	<u>\$ 173,653</u>	<u>\$ 3,320</u>



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Members of the Township Board
Coloma Charter Township
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Coloma, Michigan 49038

In planning and performing our audit of the financial statements of the Coloma Charter Township for the year ended March 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

SEGREGATION OF DUTIES

Control over cash disbursement transactions is limited because of insufficient segregation of duties. The Township requires two signatures on all checks before they may be mailed for payment. Authority to sign checks has been granted to the Township Supervisor, Clerk, Treasurer, Deputy Treasurer, and Deputy Clerk. If the Deputy Treasurer and Deputy Clerk were to sign a check, there would not be adequate separation of duties. Under this scenario, the same individuals would accept and record invoices, prepare checks, prepare bill listings for Board approval, receive bank statements, and perform the bank reconciliation. We recommend that the Township review the current policy and remove one of their names from the acceptable signature listing or have the Township Treasurer receive, open, and review bank statements and cancelled checks before submitting them to the Deputy Treasurer for bank account reconciliation.

TIMELY BANK ACCOUNT RECONCILIATIONS

During our testing of receipts and disbursements subsequent to year end, we noted that no bank reconciliations had been prepared to date for fiscal 2005. Reconciliations should be both prepared and reviewed in a timely manner to ensure that any errors are identified and corrected.

FUNDING FUTURE LIABILITIES

Through our review of the compensated absences system, we noted that several employees have a significant amount of sick and vacation hours accumulated. The Township has an obligation to pay employees for their unused sick and vacation time upon resignation/termination. The Township's total obligation as of March 31, 2004 was approximately \$140,000, with approximately \$95,000 due to two employees. We recommend that the Township devise a plan for funding this obligation.

CONTINUED OPERATING LOSSES

Once again, the Sewer Fund ended the year with a significant operating loss. In fact, the operating loss (before interest expense) increased approximately \$6,000 to \$140,000 during the fiscal year ending March 31, 2004. It is clear that Sewer Fund revenue is not supporting expenses adequately. We encourage the Township Board to closely monitor these results and make rate adjustments when appropriate.

ACCOUNTING SIMPLIFICATIONS

The Township currently uses two general ledger funds to record sewer activity, even though they are combined on the year-end financial statements. In addition to creating additional accounting work, having multiple funds makes it more difficult to get an overview of the Sewer Fund's performance and results throughout the year. We commend the Township for reducing the number of funds used to record sewer activity from three to two in fiscal 2004. It is our recommendation that the Township consolidate the remaining two funds on the general ledger and account for all sewer activity in one fund. We would be happy to assist the Township in the combination of these funds.

UNALLOWED EXPENDITURES

Elected officials, as well as management, should become familiar with what might be considered potentially unlawful expenditures. The State of Michigan website has provided a reference for local government officials and employees of selected references that address some of the questionable expenditures of local government. Some of the unlawful expenditures noted are as follows: contributions to non-profit organizations, donations to a private ambulance or EMS service not under contract with the governmental unit, donations – including use of property or equipment to Little League, Scouts, Big Brothers/Sisters, office refreshments and picnics, flowers to the sick or departed, presents to officials and employees or retirement recognition events, etc. A more inclusive listing can be found at the State's website @ http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-7603--,00.html.

MUNICIPAL FINANCE QUALIFYING STATEMENT

Please remember that the Municipal Finance Act (Act 34 of 2001) includes a requirement for the Township to file an annual Municipal Finance Qualifying Statement by December 31st of each year. This form can be found on-line @ http://www.michigan.gov/treasury/0,1607,7-121-1751_8013---,00.html.

SPECIAL ASSESSMENT LEDGER

The Township currently has two special assessment districts. While a few manual schedules are maintained, the Township currently does not have any ledgers tracking the remaining receivable balances. We encourage the Township to develop a system to maintain a running balance detail. There are manual ledgers that can be purchased to assist with this function, or a computerized spreadsheet could be created to achieve the same result. We would be happy to assist you in setting up a system to track these balances.

CAPITAL ASSETS

The Township is required to formalize in writing a capitalization policy for the new GASB 34 pronouncement taking effect in the Township in the 2004-2005 fiscal year. The Township currently does not have fixed asset detail relating to the General Fixed Asset Account Group. In accordance with GASB 34 (see below), fixed assets will be required to be recorded and depreciated. To prepare for GASB 34 implementation and to ensure adequate insurance coverage of fixed assets, it is recommended that the Township perform a fixed asset inventory.

TAX DISTRIBUTIONS

The Township needs a system to insure remittances to other governmental units are distributed on a timely basis. We noted an instance where the Township was delinquent in distributing tax revenue collected on behalf of the Library. As you know, Michigan statute establishes guidelines for the timing of payments of the taxes collected on behalf of other taxing units. It is imperative that an official be assigned the responsibility of ensuring that the Township complies with these requirements.

GASB 34 REMINDER

As we have previously discussed with you, the Government Accounting Standards Board (GASB) has issued a major new pronouncement (GASB Statement No. 34) that will drastically change the way the Township's financial statements will look. For the Township of Coloma, this pronouncement is effective as of April 1, 2004. Some of the changes, as a result of GASB 34, include the addition of a Management's Discussion and Analysis section and the preparation of full accrual, government-wide financial statements which include all long-term assets and liabilities.

This report is intended solely for the information and use of the Charter Township of Coloma Board and management of the Township. We would like to express our thanks and appreciation for the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and will be pleased to discuss them further at your convenience.

Plante & Moran, PLLC

August 05, 2004